

Approved For Release 2005/05/09 : CIA-RDP85T00675R000800020062-8

CIA/OCI/CIB/0089/72
SEC/NFD

CENTRAL INTELLIGENCE BULLETIN
13 APRIL 1972

01 OF 01

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Secret

No Foreign Dissem



DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

State Dept. declassification & release instructions on file

Secret

Nº 533

13 April 1972

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ARAB STATES: The fedayeen are seeking further action to complete the isolation of Jordan from the rest of the Arab world.

In a final communiqué, the emergency session of the Palestine National Council demanded a full Arab boycott against Jordan, the cessation of financial subsidies from the wealthy oil-producing states, and the recognition of the fedayeen-organized Jordanian National Front as the legal representative of the Jordanian people in Arab councils. The communiqué further called for the trial of King Husayn by a special court for conspiring against the Palestinian people.

The open meetings of the council were largely concerned with countering Husayn's recent proposal for the establishment of a Jordanian-Palestinian kingdom. The fedayeen organizations, whose delegates constituted a majority of the council's membership, also vented their anger at the large turnout in the municipal elections of 28 March in the Israeli-occupied West Bank area in defiance of fedayeen death threats. The council's response to these two challenges was to draw up a "unity program" and to appoint a committee to determine how the plan should be implemented. In the past, innumerable schemes for this purpose have foundered on the reluctance of individual organizations to surrender their independence to a single, Fatah-dominated organization. There is little likelihood that the current proposal will be any more successful.

A Palestinian government-in-exile probably was discussed by senior fedayeen leaders, although there was no public mention of it. Fatah has toyed with this idea for some time, but the other organizations would probably not be receptive to still another body in which Fatah would overshadow them. The proposal that the Jordanian people henceforth be

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represented by the Jordanian National Front may represent a modification of the exile government idea.

Fedayeen leaders had already met with Egyptian officials to develop a common strategy against Jordan. The semi-official Cairo daily al-Ahram speculated that fedayeen representatives will visit various Arab capitals to report the decisions of the council's meetings and to drum up support for an Arab summit conference to debate its decisions and to expel Jordan from the Arab League. (SECRET NO FOREIGN DISSEM)

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BANGLADESH: The foodgrain situation is not yet critical, but government stocks are dwindling, free-market prices are rising, and deliveries from abroad have been slow.

Government foodgrain stocks are about one third their normal level for this time of year, and prices are about 50 percent above normal. The UN has arranged to deliver 850,000 tons by the end of June, but relief efforts are hampered by the long lag until the food arrives and is distributed. Even if foodgrains were shipped immediately, seven to ten weeks would lapse before they reach upcountry distribution points. Therefore, food not already en route will not be distributed before the monsoon starts in late May. To increase arrivals in April, the US is diverting 30,000 tons of wheat now en route to other countries, and Burma has promised to deliver 105,000 tons.

India's additional gift of 250,000 tons of wheat increases its total foodgrain commitment to 750,000 tons, but only about 150,000 tons have arrived. Most of it is to be transported by rail lines that are not yet fully repaired and is being held up at depots in Bangladesh near the border. The movement of grain from ports also is hampered by internal transport problems. The monsoon, which normally reduces transport, could have a greater crippling effect this year because of the vulnerability of poorly-repaired facilities. Many temporary road and rail bridges will be under water soon after the monsoon rains start. (CONFIDENTIAL)

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CEYLON: The worsening economic situation underscores the danger of civil unrest and renewed insurgency.

The economy stagnated last year, according to recently released official data. Prices increased sharply as the government failed to curtail steadily rising consumption expenditures in the face of inadequate government revenues. The US Embassy reports that prices of goods not under price controls increased by 20 to 30 percent. Industrial production declined because of a 15-percent reduction in investment, brought on not only by government cutbacks but by tightened controls over the private sector and by government import restrictions on needed industrial inputs. Unemployment continued to rise.

Ceylon was able to reduce its trade deficit in 1971, despite declining exports. Imports fell even more than exports because of import restrictions. While foreign aid and other capital inflows provided Colombo with an over-all favorable balance-of-payments position for only the second time since 1956, the government's foreign debt has increased 14 percent, to about \$300 million, and private capital has virtually dried up. Foreign aid is also nearly exhausted, and the Western Ceylon Aid Group is scheduled to meet on 22 May to discuss Ceylon's problems.

Despite the deteriorating economic situation, the state of alert in effect since last month apparently has deterred the insurgents so far. The government reportedly plans during the next few weeks, however, to release about 4,500 of the roughly 14,000 persons in custody since last year's insurrection. Although the authorities claim that the people to be released were only marginally involved last year, many of them may have been radicalized during their long detention and might plan to join insurgent bands. (CONFIDENTIAL)

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URUGUAY: The prison escape yesterday by approximately 15 Tupamaro guerrillas is certain to embarrass President Bordaberry and may spur Congress to approve new national security measures.

This is the second time in six months that Tupamaros have broken out of Punta Carretas prison. According to Uruguayan police, the escapees included three Tupamaro leaders who had been recaptured following the spectacular escape of 106 terrorists last September.

The Congress has not yet approved President Bordaberry's proposed security law, which is intended to replace the emergency measures struck down last month by an opposition coalition. The proposal, which gives the military extensive authority to deal with terrorism, has been criticized as a "grab bag" and is of debatable constitutionality. If a compromise solution is not reached by 30 April, the government will have to release the Tupamaros and other subversives who are being held without trial.

Bordaberry has been trying to work with opposition Blanco legislators, but his conciliatory approach to the security issue reportedly is under increasing attack from members of his own Colorado Party who favor a return to the harder line of his predecessor. (CONFIDENTIAL)

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COLOMBIA: The election contest on Sunday is a challenge to the traditional National Front political system by the mass-based National Popular Alliance (ANAPO), which is led by ex-dictator General Rojas Pinilla.

The elections will fill all seats for municipal councils and departmental legislatures. They are important psychologically because they will have an important bearing on political developments up to the general elections in 1974, the first that will be open to all comers since the National Front took power in 1958.

The traditional Liberal and Conservative parties that make up the National Front are each split into various factions, and this has dissipated the power that they have enjoyed over the years. ANAPO, on the other hand, is a well disciplined and united political force. It appeals to low income groups and those that are disillusioned with the political and economic oligarchy that dominates the traditional parties. It is likely that ANAPO will increase its proportion of the vote beyond the 39 percent it received in the 1970 general election. This will make the party the largest single political force and show that it continues to grow in popularity.

The government may have difficulty keeping public order over the next few days. Public school teachers remain on strike; they have been joined by sympathetic university students, and disturbances in several major cities have caused substantial property damage. Security forces reportedly are tense and prepared for further trouble. (CONFIDENTIAL)

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UNCTAD: The third ministerial-level UN Conference on Trade and Development (UNCTAD) which opens today in Santiago may generate more controversy than progress.

The major powers are not seeking specific measures at UNCTAD, whose earlier sessions (1964 and 1968) were held to satisfy the less developed countries and focused on development assistance and trade-related problems, serving as a forum for debate between the rich and poor nations. The less developed countries on this occasion are likely to seek more attention for their international monetary concerns, pressing for increased participation in the decision-making and a more favorable exchange-rate structure. They also will seek a recommendation that the International Monetary Fund link special drawing rights (SDRs) to development aid, and that the 20 IMF governors be responsible for international monetary reforms. Other controversial agenda items and the presence of 130-odd countries divided into several distinct camps also militate against a resolution of the key issues.

Chile has invited representatives of East Germany, North Vietnam, and North Korea to attend today's ceremonies, a tactic in line with Santiago's views on universality. China will be attending its first UNCTAD meeting and may use the occasion to stress its association with the interests of the developing nations. The Soviets accordingly may be tempted to resort to anti-imperialist rhetoric whenever possible to disassociate themselves from the West, but on a number of issues they themselves will find it difficult to dodge the verbal brickbats aimed at the developed states. (CONFIDENTIAL: NO FOREIGN DISSEM)

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TUNISIA: President Bourguiba apparently is preparing to revamp his government, and probably will appoint a new prime minister.

Bourguiba, presently in Switzerland for a medical checkup and vacation, has been meeting with leading Tunisian politicians outside the government.

25X1C [redacted] late last month Fahi Ladgham, a long-time close associate whom Bourguiba dismissed as prime minister 18 months ago, declined the prime ministership on the ground that the principal task of a new head of government should be to heal the serious factional disputes that have developed during the past year. Ladgham is a leading member of the Liberal faction of the ruling Destourian Socialist Party, which has clashed with Bourguiba over a number of issues in recent months.

Bourguiba may turn to Foreign Minister Mohamed Masmoudi, a leading conservative, who has carefully refrained recently from identifying himself with that faction of the party. [redacted]

25X1C [redacted] Masmoudi has been making discreet soundings concerning appointments in a hypothetical government that he would head.

25X1C

Although Bourguiba has consistently heaped public praise on his effective and capable prime minister, Hedi Nour, the two have seriously disagreed over the proposed revision of the constitutional provision for presidential succession, and Nour is reported to have offered his resignation. As the constitution is presently worded, Nour, as prime minister, would succeed to the presidency in the event of Bourguiba's death. Moreover, Bourguiba announced at the party congress last fall that Nour was his choice as successor. Although Nour has attempted to steer a neutral course between the contending liberal and conservative factions, he has nevertheless been identified with the conservatives. (SECRET NO FOREIGN DISSEM)

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BULGARIA: Kickbacks and payoffs have again embarrassed the Zhivkov regime in its efforts to impart a sense of fiscal integrity to its managerial cadre. According to the Sofia party daily Rabotnichesko Delo, a number of enterprise officials in the central Bulgarian town of Lovech have been arrested, tried, convicted and sentenced to three-and-a-half-year prison terms for forging work invoices and bank vouchers with the purpose of diverting industrial funds to their personal use. Widespread embezzling was uncovered in Bulgaria's foreign trade enterprise in late 1969. (CONFIDENTIAL)

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SWITZERLAND: The central bank is planning new monetary measures to control inflation, the country's worst in 20 years. It is seeking to impose minimum reserves on domestic deposits and to tighten reserve requirements on foreign deposits because of concern over high liquidity and the inadequacy of present credit restrictions. While the more restrictive reserve requirements should help reduce inflationary pressures, the large volume of funds available in Switzerland outside the banking sector will limit the effectiveness of the new measures.
(CONFIDENTIAL)

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